

Change in Employee Compensation
Budget Issues
January 4, 2008



Employer Funded Health Insurance Costs

	<u>Funded</u>	<u>Actuarial</u>
FY 2006	\$7,125	\$7,125
FY 2007	\$6,531	\$7,336 <i>Premium holiday</i>
FY 2008	\$7,125	\$8,345 <i>Reserves</i>
FY 2009	\$9,200	\$9,200 <i>Increase \$2,075</i>

<u>FY 2008</u>	<u>Monthly</u>	<u>Annually</u>
Medical	\$576	\$6,910
Dental	<u>18</u>	<u>215</u>
Total	\$594	\$7,125

Appropriation and Premiums for Medical PPO

	Employer	Employee	Total
EE Only	\$576	\$23	\$599
EE/Spouse	\$576	\$59	\$635
EE/Child	\$576	\$38	\$614
EE/Children	\$576	\$53	\$629
EE/SP/Child	\$576	\$72	\$648
Family	\$576	\$80	\$656

Appropriation vs. True Costs for Employer

	Funded	Costs	Difference
EE Only	\$576	\$371	\$205
EE/Spouse	\$576	\$730	(\$154)
EE/Child	\$576	\$514	\$62
EE/Children	\$576	\$730	(\$154)
EE/SP/Child	\$576	\$873	(\$297)
Family	\$576	\$1,088	(\$512)

Traditional Approach to Cost Increases
Share Proportionally in 29% Increase

	Employer	Employee	Total	% Ratio
EE Only	\$743	\$30	\$773	97/3
EE/Spouse	\$743	\$77	\$820	91/9
EE/Child	\$743	\$49	\$792	94/6
EE/Children	\$743	\$68	\$811	90/10
EE/SP/Child	\$743	\$93	\$836	89/11
Family	\$743	\$103	\$846	88/12

Apply Increases to Actual Costs & EE Premiums
Share Proportionally in 29% Increase

	Employer	Employee	Total	% Ratio
EE Only	\$479	\$30	\$509	95/5
EE/Spouse	\$942	\$77	\$1,019	93/7
EE/Child	\$663	\$49	\$712	94/6
EE/Children	\$942	\$68	\$1,010	94/6
EE/SP/Child	\$1,126	\$93	\$1,219	93/7
Family	\$1,404	\$103	\$1,507	94/6

Analyzing Contribution Strategy for Employer Paid Health Insurance

Total Costs:

- **Incurred Claims paid by Insurer**
- **Employee Deductibles, Coinsurance, and Co-payments**
- **Vision**
- **Premium Tax**
- **Blue Cross Administration**
- **State Administration Appropriation**
- **Retirees Subsidy**

Employee Costs: Goal = 30%

- **Deductibles, Coinsurance, and Co-payments**
- **Premiums**
- **Retirees Subsidy**
- **Employee Share of Reserves Used**

Employer Costs: Goal = 70%

- **Premium**
- **Retirees Subsidy**
- **Employer Share of Reserves Used**

Budgeting Practices for Employer Paid Insurance Costs

- **Currently the state budgets by position**
- **Filled positions drive future budget needs**
- **Budgeted benefits are not tracked at the agency level**
- **Do not track benefited and non-benefited temporary employees**
- **Agency has discretion to split FTP and double up on benefits**
- **Employee has discretion to accept health insurance or not – savings stay in agency and can be used for other personnel adjustments**

Budgeting Practices for Employer Paid Insurance Costs

- **All fund sources support benefit costs including the retiree subsidy**
- **Budget increases are based upon projections made in May before the budgeting process begins with instructions in the Budget Development Manual**
- **Governor's recommendation is formulated in December and presented in January**
- **Changes in benefit mix and premiums occur months after the budget process is completed**

Consideration for Budgeting Changes

- **Have agencies pay what is actually budgeted for health insurance**
- **Require employees to enroll in health insurance plan or provide evidence that they have alternative coverage**
- **Offer the employee health insurance coverage with zero premium**
- **Create a path for employees to contribute to future health insurance costs in retirement through payroll deductions similar to PERSI Choice (401-k)**

Policy Categories

- Recruitment & Retention Goals
- Employer/Employee Insurance Contribution Strategy
- Subsidies
- Retiree Plan Options

Compensation/Recruitment Strategies

- What is the mix of workforce that Idaho wants to recruit and maintain?
 - Entry Level
 - Mid Level
 - Senior Level
 - Education
 - Specialty Staff
- What changes to Idaho's Compensation package would encourage recruitment of the identified workforce?
- What changes to the pay structure would encourage recruitment of the identified workforce mix?

What should Idaho's contribution strategy be for insurance benefits?

- What is Idaho's policy for premium allocation between employer & employee?
 - Should the employee split be different than the dependent split?
 - i.e. 90/10 for the employee and 80/20 for dependents?
- What should the total mix of premiums & cash contributions be between the employer and the employee?

How does the Legislature want to handle the subsidies within the current insurance plan?

Current Subsidies

- Active Employees subsidy of Retirees
- PPO subsidy of Traditional Insurance Plan for active Employees
- Subsidy within the different benefit coverage elections (Single Employee & Employee plus a Child subsidy of other benefit election categories.)

What kind of Retiree insurance package should the state offer ?

- Should the combined rating for Retiree & active Employees continue?
- Offer a Medicare Supplemental for those over 65
- Change or lift the sick leave cap to assist retirees under 65 with medical premiums